



AARP Michigan T 1-866-227-7448
309 N. Washington Square F 517-482-2794
Suite 110 www.aarp.org/mi
Lansing, MI 48933

February 7, 2013

The Honorable Representative Pete Lund, Chairman, and
Honorable Members of the House Insurance Committee
519 House Office Building
Lansing MI 48909

Re: Opposition to SBs 61 & 62 (Blue Cross Blue Shield of Michigan legislation)

Dear Chairman Lund and Committee Members,

We are writing on behalf of AARP Michigan regarding Senate Bills 61 and 62, which propose to restructure Blue Cross Blue Shield of Michigan (BCBSM). AARP is a nonprofit, nonpartisan 501(c)(4) social welfare organization that advocates on issues that matter to people aged 50 and over and their families. More than 1.4 million Michigan citizens are AARP members.

AARP Michigan opposes these bills because they will increase costs dramatically for seniors in Michigan, and reduce access to care for seniors and people with disabilities:

- ➔ **This legislation will increase Medigap rates approximately \$900 per person per year (\$1800 for a married couple) for seniors and people with disabilities, and will reduce access to affordable coverage for Michigan's oldest and sickest residents.**
- ➔ **Seniors living on fixed incomes have already been hit hard by the Michigan Legislature's recent tax increases on them.**
- ➔ **The Affordable Care Act does NOT require Michigan to make the changes these bills propose regarding seniors and Medigap. Medigap products are not included on the Health Insurance Exchange.**
- ➔ **The legislation's proposed funding from the Michigan Health Endowment Fund will not come close to offsetting the increased costs this legislation will shift onto seniors.**

The total value of Michigan's existing statutory Medigap subsidy under Public Act 350 of 1980 is approximately \$200 million per year. The funding that SBs 61 and 62 propose to use to subsidize Medigap for Michigan's seniors amounts to less than \$25 million per year (and would only be in place for 5 years at that). **This means that 7 out of every 8 seniors who currently benefit from the Medigap subsidy under Public Act 350 will lose that subsidy as of 2016 because of this legislation.**

The increased costs that seniors will face under this legislation will come as many of them are still struggling to make ends meet in the face of Michigan's new pension tax, the loss of their annual \$2,400 per senior tax exemption, and increased property taxes due to changes in the homestead tax exemption. Most of these residents live on fixed incomes. The median income for Medicare beneficiaries is only \$21,183, and approximately half of the people on Medicare have incomes below 200% of the federal poverty level. Nearly 1 in 5 of them live below the poverty level.

The Affordable Care Act (ACA) does ***not*** require Michigan to make the changes these bills propose regarding seniors and Medigap. Proponents of SBs 61 and 62 claim they need these bills so that BCBSM's products can be included on Michigan's new Health Insurance Exchange. Medigap products were not addressed under the ACA and are not part of the Health Insurance Exchange.

As Senate Bills 61 and 62 move through the legislative process, we urge you to remove their provisions that would eliminate Michigan's existing supports for Medigap and seniors, and instead, preserve those provisions of Public Act 350 that have helped ensure access to affordable health care for Michigan seniors for decades.

We appreciate the opportunity to share our concerns with you, and thank you in advance for standing up for Michigan's seniors. If you have any questions or if there is any further information we can provide, please feel free to contact Felicia Wasson, our Associate State Director for Government Affairs, at 517-267-8917 or fwasson@aarp.org. We would also welcome the opportunity to meet with you in person to discuss these issues.

Sincerely,



Jacqueline Morrison
State Director

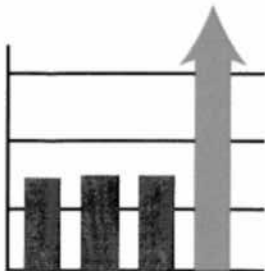


William McCarty
State President



Blues Reforms Give Seniors the Blues

There Are Approximately 200,000 Medigap Customers In Michigan.



Senate Bills 61 and 62 will increase Medigap rates approximately \$900 per person per year (\$1800 for a married couple) for seniors and people with disabilities, and many will pay even more based on their age.

Most of these residents live on fixed incomes. Approximately half (53%) of the people on Medicare have incomes below 200% of the federal poverty level. Nearly 1 in 5 (19%) of them live below the poverty level.

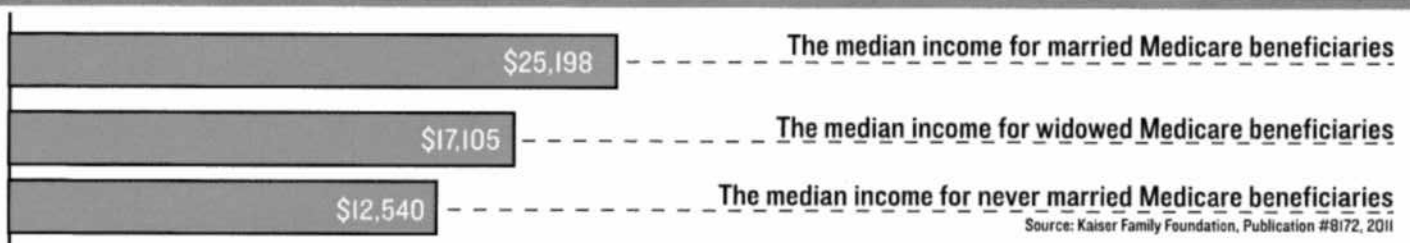
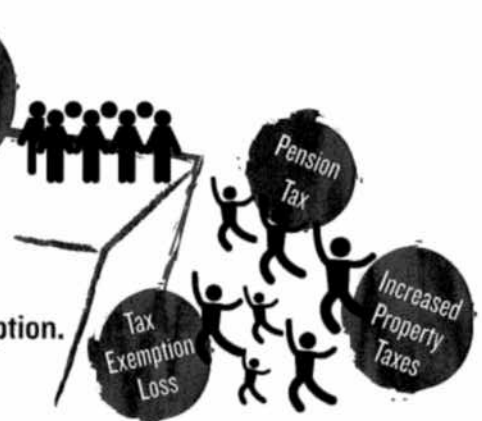
Source: Kaiser Family Foundation, Publication #7860, 2009



The total value of Michigan's existing Medigap support under Public Act 350 is approximately \$200 million per year*. The funding that SBs 61 and 62 propose to use to replace this existing support amounts to less than \$25 million per year (and would only be in place for 5 years at that). *MCL 550.1609(5)

This means that 7 out of every 8 seniors who currently benefit from the Medigap subsidy under Public Act 350 will lose that subsidy as of 2016, because of this legislation.

The increased costs that seniors will face under this legislation will come as many of them are still struggling to make ends meet in the face of Michigan's new pension tax, the loss of their annual \$2,400 per senior tax exemption, and increased property taxes due to changes in the homestead tax exemption.



Source: Kaiser Family Foundation, Publication #8172, 2011

The average monthly Social Security check for a retired worker in 2012 was about \$1,230.

Source: SSA.gov, 2012